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SUPREME COURT, U.S.

No. 97-1130

In The

Supreme Court of the United States

October Term, 1997

WAYNE K. PFAFF,

Petitioner,

v.

WELLS ELECTRONICS, INC.,

Respondent.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

REPLY BRIEF FOR THE PETITIONER

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I. INTRODUCTION

This is not a case, as Respondent, Wells Electronics, Inc. ("Wells") and its supporting amici suggest, about an inventor trying to cheat the public or the patent system. If anything, the legal system is in danger of operating against the public interest, by postponing the time when the public will gain access to new products and mistreating inventors, including Petitioner Wayne K. Pfaff ("Mr. Pfaff"), through the adoption of a new rule that here would result in a forfeiture of his patent rights by virtue of *ex post facto* judicial legislation.

It is noteworthy that none of the briefs filed with the Court maintain that the appellate court's test of a "substantially complete" invention based on a "totality of the circumstances" is supportable, appropriate, or desirable. This is silent, but eloquent, testimony to the fact that the Federal Circuit has made a material and unwarranted departure from the law enacted by Congress. The Court has before it a wide range of options regarding the on-sale bar. Mr. Pfaff, however, asks the Court to reinstate the bright-line test that Congress enacted – that inventors have one year after their invention is "fully completed," or actually reduced to practice, in which to place their inventions on sale and to decide whether there is sufficient financial incentive to file a patent application. Opening Brief at 11-22; *accord* Brief of Amicus Curiae American Intellectual Property Law Association ("AIPLA Brief") at 3-8.

Fairly considered, Mr. Pfaff's interpretation of the Section 102(b) on-sale bar and its grace period honors established principles of statutory construction and the important policy considerations actually enunciated by Congress. Mr. Pfaff merely asks the Court to restore the operation of one statutory provision, impermissibly amended by the Federal Circuit, to its original intent and meaning.[1]

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[1] In Respondent's Brief on the Merits ("Respondent's Brief"), Wells for the first time raises the argument (understandably relegated to a footnote) that the Court's grant of certiorari should be dismissed as improvidently granted because Mr. Pfaff failed to raise the question

II. WELLS AND ITS AMICI UNFAIRLY STATE THE CASE BEFORE THE COURT.

At the outset, Wells attempts to divert the Court's attention by suggesting that Petitioner's "Question Presented" begs another question, *i.e.* when does "an inventive idea or process mature[ ] into an 'invention' under the statute." Respondent's Brief at 9. The correct answer to this "begged" question, however, is well-established and fully supports Mr. Pfaff. As this Court long ago confirmed, the answer is that, before an inventor's idea becomes an "invention," the inventor "must have proceeded so far as to have reduced his idea to practice and embodied it in some distinct form." *Seymour v. Osborne*, 78 U.S. (11 Wall.) 516, 552 (1868); *accord Clark Thread Co. v. Willimantic Linen Co.*, 140 U.S. 481, 489 (1891) ("conception of the mind is not an invention until represented in some physical form").[2]

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presented in his Petition in the court below. Wells' argument fails on three counts. First, the Federal Circuit found that the only reason that the district court did not apply the on sale bar to invalidate Mr. Pfaff's patent was its determination that his invention "was not reduced to practice at the time of the sale . . . . " PA 7-8. Thus, the issue presented to this Court did not exist until the Federal Circuit (reversing the district court) held that, although Mr. Pfaff's invention was only "substantially complete" prior to the critical date, it was nevertheless on sale within the meaning of Section 102(b). PA 7-8, 13. Second, the question presented for review formed the entire basis of the Federal Circuit's holding. Thus, it was clearly within this Court's discretion to grant the review. *See United States v. Williams*, 504 U.S. 36, 42-45 (1992). Finally, the issue before the Court was squarely presented in Mr. Pfaff's Petition for Writ of Certiorari. In its Opposition to the Petition, however, Wells' voiced no objection based on Mr. Pfaff's alleged failure to present the issue below. Not only is Wells' newly-raised objection without merit, Wells has waived it by failing to bring it to the Court's attention in its Opposition to Mr. Pfaff's Petition. *See City of Canton, Ohio v. Harris*, 489 U.S. 378, 383-385 (1989).

[2] *See also* Opening Brief at 13-15 & nn.10-15 and authorities cited therein. Elsewhere in its brief, Respondent erroneously suggests that some of this Court's prior decisions can be read to allow something other than a

Wells and its amici criticize Mr. Pfaff's construction of Section 102(b), erroneously arguing that it either interjects inconsistent meanings of the term "invention" into the patent laws or, alternatively, necessitates the term be read to require *actual* reduction to practice throughout the Patent Act (and, indeed, in other statutes as well). Such a construction, they argue, would result in a massive judicial rewriting of the patent laws.[3] This case presents no such far-reaching issue to the Court, nor does Mr. Pfaff's reading of Section 102(b) necessitate (or even suggest) any such wide-ranging

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physical construction to serve as an actual reduction to practice or completion of an invention. Respondent's Brief at 24-25. Fairly read, however, the cases cited by Wells stand for no such principle. There is no language in *Clark Thread* (and Wells points to none) that supports Wells' assertion that it stands for the proposition that drawings may satisfy the "physical form" requirement. Indeed, the Court's analysis and holding are directly to the contrary. *See Clark Thread*, 140 U.S. at 489-90. Wells also argues that *T.H. Symington Co. v. National Malleable Castings Co.*, 250 U.S. 383 (1919) "equated *Clark Thread's* 'physical form' requirement with 'models, drawings or some kindred evidence.' " Respondent's Brief at 34. Wells again misstates the gravamen of the Court's decision. In *T.H. Symington*, a model and/or drawings of the invention apparently had been made at about the time of the application. The Court nevertheless concluded that no *attempt* at reduction to practice (obviously referring to actual reduction to practice) was made until after the patent had issued. *Id.* at 386. *See also Corona Cord Tire Co. v. Dovan Chem. Corp.*, 276 U.S. 358, 383 (1928).

[3] Wells' accusation that Mr. Pfaff would have this Court rewrite the patent laws is simply another red herring. Moreover, it is curious given *Wells'* own rejection of long-established law in its newly-raised and erroneous contention that Mr. Pfaff's invention was "complete" before the April 19, 1981 critical date. Respondent's Brief at 9 n.3. Wells' suggestion that Mr. Pfaff's invention was "complete" even though *not one* single component of the test socket was in existence as of the critical date is contrary to applicable law and to the findings of the Federal Circuit that Mr. Pfaff's invention was not reduced to practice and was only substantially (*i.e.*, not fully) complete as of the critical date. PA 7, 13. The district court likewise found that Mr. Pfaff's invention was not reduced to practice prior to the critical date. PA 123.

interpretation of the term "invention." Rather, Mr. Pfaff has presented (and the Court has granted review on) a far narrower issue, *i.e.*, whether, *in the context of the Section 102(b) on-sale bar* (and only in that context), the term "invention" contemplates the physical existence of something that is fully completed – *i.e.*, actually reduced to practice – before the statutory one-year grace period may start to run. Mr. Pfaff maintains the answer to that question is "yes."

Hoping to cast Mr. Pfaff as a public policy villain, Wells (in its "Questions Presented" and its "Statement of the Case") also takes unwarranted liberties with the record below. By omitting pertinent facts, or reciting them out of context, Wells presents the nature of Mr. Pfaff's pre-critical date activities in a false light. To place these events in proper context, it was Texas Instruments that approached Mr. Pfaff in late 1980 (not *vice versa)* and asked him to develop a new semiconductor chip carrier test socket. PA 4, 121. Thereafter, in making a written offer to purchase new sockets on April 8, 1981, Texas Instruments (through its agent) *expressly conditioned* its purchase offer on Mr. Pfaff's future success in inventing and delivering a product that actually met Texas Instrument's engineering criteria (*i.e.*, sockets that worked for their intended purpose). JA 60; 86-88. Mr. Pfaff's first new test sockets were not manufactured until some months after the critical date and were not actually sold to Texas Instruments until July of 1981. PA 7, 123; JA 85-86, 107-118. Mr. Pfaff received no payment prior to actual delivery of the sockets. JA 77-78, 119. Moreover, consistent with then-controlling law,[4] Mr. Pfaff timely filed his application within one year from the date his invention was actually reduced to practice. Thus, Mr. Pfaff's conduct hardly evidences the actions of an inventor trying to cheat the system in order to obtain an eleven-day extension at the risk of ultimate forfeiture of his patent rights.[5]

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[4] *See* Opening Brief at 23-24 & n.27.

[5] In footnote 16 of Respondent's Brief, Wells states that Mr. Pfaff "has not sought review" of the Federal Circuit's holding that certain claims

III. MR. PFAFF'S PLAIN MEANING CONSTRUCTION IS WELL-FOUNDED.

On its face, Section 102(b) requires that an "invention," and nothing less, be "on sale" to trigger the start of the one-year grace period. To ascertain the plain meaning of Section 102(b)'s prohibition against placing an "invention" "on sale" more than one year prior to the critical date, Mr. Pfaff referred to Section 102(g), which defines "invention" in terms of its constituent elements – *i.e.*, conception and reduction to practice.[6] This statutory definition conforms to the long-established meaning of "invention" as a term of art. *See* Opening Brief at 10-11 & n.9; 13-16. On these bases, Mr. Pfaff properly concluded that the plain meaning of Section 102(b) is that a complete "invention" (*i.e.*, an invention reduced to practice, not something less) must actually exist before the one-year grace period to the on-sale bar can start to run. *See* Opening Brief at 10-22.

Wells attacks this plain meaning construction by arguing it would "cause one of two unacceptable results." Respondent's Brief at 6. First, Wells attempts to broaden the reach of Mr. Pfaff's argument by suggesting that, if he is correct, the term "invention" (wherever it appears, in the Patent Act or elsewhere) would *always* contemplate an invention *actually* reduced to practice. Mr. Pfaff clearly does not make such an argument, nor does his "plain meaning" construction of the Section 102(b) on-sale bar mandate the confusion or far-

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of the Pfaff patent were invalid as obvious under 35 U.S.C. § 103. As Wells acknowledges, however, Mr. Pfaff does challenge the appellate court's predicate holding, because Mr. Pfaff had not placed anything "on sale" within the meaning of Section 102(b) that could serve as a proper basis for the court's Section 103 holding. For this reason Mr. Pfaff properly requested that the decision below be reversed in its entirety. *See* Opening Brief at 8 n.6; 37.

[6] Opening Brief at 12-13. Section 102(g) does this in the context of defining a related statutory bar – prior invention by another who has not abandoned, suppressed, or concealed the invention.

reaching effects that Wells (and its amici) predict would follow from it. Section 102(g) confirms that the constituent elements of an "invention" are its "conception" and its "reduction to practice." Opening Brief at 12-13. Reduction to practice – itself a term of art – can take one of two forms, either *actual* or *constructive*. Actual reduction to practice always requires that an invention be physically made.[7] Constructive reduction to practice occurs only upon the filing of a patent application.[8]

Where Wells and its amici go astray is in failing to recognize that context will define the appropriate form of reduction to practice. When, as here, it is the inventor's own pre-application activity that is in question, constructive reduction to practice (which occurs only when the application is filed) simply is not implicated. In this situation, only actual reduction to practice is germane to determining the start of the on-sale grace period.[9]

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[7] *See Corona Cord*, 276 U.S. at 383; *see also* Opening Brief at 14. Actual reduction to practice also requires that the invention work for its intended purpose. *See Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1578 (Fed. Cir. 1996); *Gordon v. Hubbard*, 347 F.2d 1001, 1006 (C.C.P.A. 1965).

[8] *See Dolbear v. American Bell Tel. Co.* [*The Telephone Cases*], 126 U.S. 1, 535-36 (1888) (recognizing invention not actually reduced to practice at time of application, but sufficiently described in patent specification, constituted a patentable invention); *In re Katz*, 687 F.2d 450, 454 (C.C.P.A. 1982) ("[u]nlike the filing of a patent application, the publication of an article is not deemed a constructive reduction to practice"); *Gregg v. Coakwell*, 175 F.2d 575, 580 (C.C.P.A. 1949) (written disclosure apart from patent application does not "constitute a constructive reduction to practice").

[9] By contrast, 35 U.S.C. § 103(a) which measures the obviousness or non-obviousness of invention "at the time the invention was made," provides an example of an analysis that may implicate either form of reduction to practice, depending on whether or not an actual reduction to practice occurred prior to the filing of a patent application. The date of invention (*i.e.*, the date when the "invention was made") for the purposes of Section 103(a) is determined in the same way as it is under Sections 102(a), (e), and (g). *See* 37 C.F.R. § 1.131(a)(1). Moreover, despite the

Second, Wells and its amici attack Mr. Pfaff's plain meaning construction of the Section 102(b) on-sale bar by arguing erroneously that requiring that an invention be fully complete – *i.e.*, reduced to practice – before it can be placed "on sale" will result in statutory inconsistencies. Wells, for example, argues that Mr. Pfaff's "definition of 'invention' . . . cannot be squared" with Section 102(b)'s provision barring an inventor's right to a patent when "the invention was patented or described in a printed publication in this or a foreign country . . . more than one year prior to the date of application . . . . "[10] The language of the statute itself, however, dictates to the contrary.

As aptly noted in one amicus brief, Section 102(b) "plainly has two concepts in mind in referring to the 'invention.' " AIPLA Brief at 2. The first deals with two specific types of *documents* (patents and printed publications) that exist more than one year before the inventor's patent application is filed. It is the information contained in such documents that is studied and compared against the claims of the inventor's patent.[11] The existence of a physical object is unnecessary (and indeed irrelevant) to this exercise.[12] In contrast, the second

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protestations of Wells and its amici to the contrary, the analysis of obviousness under the Section 102(b)/103 does not dictate against Mr. Pfaff's interpretation of Section 102(b). *See* Opening Brief at 25-26 & n.32; *see also Baker Oil Tools, Inc. v. Geo Vann, Inc.*, 828 F.2d 1558, 1562-63 (Fed. Cir. 1987) ("If a device was in public use or on sale before the critical date, then that device becomes a [prior art] reference under section 102 against the claimed invention"); Janice M. Mueller, *Conception, Testing, Reduction to Practice: When Is It Really On Sale?*, 80 J. Pat. & Trademark Off. Soc'y 305, 318-19 (1998).

[10] *See* Respondent's Brief at 19-20; 35 U.S.C. § 102(b).

[11] The same is true for prior art under Section 102(e), which codified *Alexander Milburn Co. v. Davis-Bournonville Co.*, 270 U.S. 390 (1926). Wells relies on *Alexander Milburn*, but overlooks its key statements. In fact, the Court stated that a "description that would bar a patent if printed in a periodical or in an issued patent is equally effective in an application *so far as reduction to practice goes*." *Id.* at 402 (emphasis added).

[12] This same analysis applies to the parallel "patented or described in a printed publication" provision found in Section 102(a). *See infra* note 14.

concept encompasses the "public use" and "on sale" bars and involves a very different comparison, between the claims and the *physical object* actually in public use or on sale. A public use clearly cannot occur unless the "invention" is actually reduced to practice. *See* Brief of the United States as Amicus Curiae Supporting Respondent ("U.S. Brief") at 17-18; *see also* AIPLA Brief at 3-5. Similarly, to be "on sale" an "invention" must exist and be actually reduced to practice. Opening Brief at 11-16. Reading the statute fairly, in its proper context, eliminates any likelihood of inconsistent constructions of the same term.[13]

Nor do the various other statutory uses of the term "invention" in the Patent Act cited by Wells present any real possibility of inconsistent construction. It is well established that reduction to practice is an essential element in a Section 102(a) or 102(e) analysis. *See* 37 C.F.R. § 1.131.[14] Wells argues that the "known by others" trigger in Section 102(a) does not require knowledge of an invention reduced to practice. *See*

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[13] Significantly, contrary approaches suggested by Respondent and several amici would create an entire new body of "secret" prior art. One example is an offer to sell a then-incomplete invention, satisfied only after years of further effort. Additionally, all manner of writings and other materials that do not qualify as patents or printed publications would, nevertheless, trigger the grace period to the on-sale bar, against both the seller/offeror and third-party inventors, so long as such materials (whether or not available to the public, or even the purchaser) exist alongside an offer to buy or sell.

[14] Volume 37, Section 1.131(a)(1) of the Code of Federal Regulations, *inter alia*, provides that an inventor may make a showing of certain facts to overcome a patent or printed publication which is cited as a reference under 35 U.S.C. §§ 102(a) and (e) or under 35 U.S.C. § 103. This showing "must include facts showing a *completion of the invention*. . . ." 37 C.F.R. § 1.131(a)(1) (emphasis added). Section 1.131(b) provides that this showing of facts can either "establish reduction to practice prior to the effective date of the reference, or conception of the invention prior to the effective date of the reference coupled with diligence from prior to said date to a subsequent reduction to practice or to the filing of the application." 37 C.F.R. § 1.131(b).

Respondent's Brief at 18 (citing *In re Borst*, 345 F.2d 851 (C.C.P.A. 1965), *cert. denied*, 382 U.S. 973 (1966)). While this argument is not particularly germane here (as there is no parallel "known" language in Section 102(b)), under this Court's precedent, it is also incorrect. This Court long ago recognized that the invalidating prior knowledge contemplated by the patent laws was knowledge of a *complete* invention. *Coffin v. Ogden*, 85 U.S. (18 Wall.) 120, 124-25 (1873) (applying Patent Act of 1836; "invention or discovery relied upon as a defence [claiming prior knowledge], must have been *complete*, and capable of producing the result sought to be accomplished") (emphasis added); *cf. Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1, 20-21 (1829).[15]

Wells also argues that Section 102(c), which bars an inventor from obtaining a patent if "he has abandoned the invention," mitigates against Mr. Pfaff's construction of Section 102(b).[16] Wells, however, points to no case so construing Section 102(c) and buries the one salient case it cites (a case that supports Mr. Pfaff) in a footnote.[17] Wells questions that

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[15] *See also Stearns v. Tinker & Rasor Corp.*, 220 F.2d 49, 56 (9th Cir.), *cert. denied*, 350 U.S. 830 (1955); AIPLA Brief at 3-5. Shortly after the adoption of the Patent Act of 1952, the Court of Customs and Patent Appeals confirmed that prior knowledge under Section 102(a) contemplated knowledge of an invention reduced to practice. *See In re Schlitter*, 234 F.2d 882, 884-885 (C.C.P.A. 1956). Its change of heart some nine years later, in *In re Borst*, fails to accurately reflect precedents of this Court and the regional appellate courts and, quite simply, reaches the wrong conclusion.

[16] Here Wells offers a shallow hypothetical that ignores the separate consequences of the "printed publication" restriction found in Section 102(b). *See* Respondent's Brief at 21. Wells also cites *Gayler v. Wilder*, 51 U.S. (10 How.) 477 (1850) as support for its 102(c) argument. The analysis in *Gayler*, however, did not focus on reduction to practice or the need for testing. Indeed, it appears the prior "invention" the Court deemed abandoned was in fact completed and used in private for some years by the prior inventor. *Id.* at 495-96.

[17] *See* Respondent's Brief at 22, n.9 (citing *Correge v. Murphy* 705 F.2d 1326, 1328 (Fed. Cir. 1983) ("without an actual reduction to practice

case for failure to discuss what it calls the "dedication to the public" doctrine, but ignores this Court's holding in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17, ___, 117 S. Ct. 1040, 1047-48 (1997). In *Warner-Jenkinson*, the Court held that the "doctrine of equivalents" survived the 1952 revision of the patent laws – a clear confirmation that material disclosed but not claimed in a patent specification is not automatically or necessarily dedicated to the public.[18]

Wells and one amicus also refer to various other statutory provisions (all but one found elsewhere than the Patent Act and all adopted after the 1952 Act itself) defining when an invention is deemed "made" for the purposes of determining the government's rights in inventions developed in whole or in part with federal funds. *See* Respondent's Brief at 33; U.S. Brief at 15-17. The very existence of these statutes, however, supports Mr. Pfaff's construction. These statutes evidence Congress' understanding that it needed to define when an invention was "made" because it was using that term other than in its commonly understood meaning (and, thus, differently than used in Section 102(g)).[19] Moreover, these statutes merely evidence Congress' intent to maintain control over an invention when either element of "invention" – conception or reduction to practice – is effected with federal funding. These

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there is no invention in existence which can be abandoned") (internal quotation marks omitted)).

[18] The Federal Circuit has since accepted that such material may form the basis for a finding of infringement under the doctrine of equivalents. *See YBM Magnex, Inc. v. Int'l Trade Comm'n*, ___ F.3d ___; 46 U.S.P.Q.2d 1843, 1845-46 (Fed. Cir. 1998). In *YBM*, the Federal Circuit expressly noted that its prior ruling in *Maxwell v. Baker, Inc.*, 86 F.3d 1098 (Fed. Cir. 1996), a case relied upon by Wells, "accords with the [Supreme] Court's precedent only when its decision is understood and applied *on its facts*." *Id.* at 1846 (emphasis added). Thus, the *YBM* court found, *Maxwell* cannot be read as stating "a general rule of law." *Id.*

[19] In fact, the applicability of each of these definitional statutes is expressly limited to the statutory section or chapter in which it appears. *See* 35 U.S.C. § 201; 42 U.S.C. § 2457(j); 42 U.S.C. § 5908(m); 15 U.S.C. § 3703.

provisions do not constitute an after-the-fact equation of the term "invention" (as used in the Patent Act of 1952) with "conception."[20]

Finally, Wells' argument that Mr. Pfaff's interpretation will place long-settled rules of priority in disarray misses the mark. The clear requirement imposed by Section 102(g) is that no inventor can claim priority of invention unless and until the invention is reduced to practice, either actually or constructively. Without reduction to practice, there simply is *no invention* on which to claim priority.[21] Section 102(g) does not (as Wells argues) work against Mr. Pfaff's interpretation of the term "invention," but, rather, supports it.

IV. MR. PFAFF'S CONSTRUCTION IS SUPPORTED BY CASE LAW AND LEGISLATIVE HISTORY.

Mr. Pfaff demonstrated in his opening brief that the Federal Circuit also ignored the substantial body of judicial precedent under the 1952 Patent Act recognizing actual reduction to practice as a prerequisite to the commencement of the on-sale grace period. *See* Opening Brief at 23-25 & nn.27-30. In response, Wells contends that the pre-Federal Circuit law was "inconsistent for decades. . . ." Respondent's Brief at 38. The spectre of "inconsistency" raised by Wells, however, is much ado about nothing. There is no question that

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[20] In rejecting "reduction to practice" as the proper measure of when an invention exists for the purposes of the on-sale bar, Wells, *inter alia*, proposes that "invention" occurs when an invention "can be disclosed" in the sense of 35 U.S.C. § 112's enabling disclosure requirement. Respondent's Brief at 10-11. This sort of hindsight "ready for patenting" test, however, does not fulfill Congress' intent to provide *inventors* a clear and discernible rule by which to measure the time which they have to file a patent application, so as to avoid forfeiture of their rights once they have made an "invention." *See* Thomas K. Landry, *Certainty and Discretion in Patent Law: The On Sale Bar, the Doctrine of Equivalents and Judicial Power in the Federal Circuit*, 67 S. Cal. L. Rev. 1151, 1185-86 (1994).

[21] *See Del Mar Eng'g Labs. v. United States*, 524 F.2d 1178, 1184 (Ct. Cl. 1975); *International Glass Co. v. United States*, 408 F.2d 395, 402 (Ct. Cl. 1969).

prior to the 1952 Act, going back to the early 1900s, courts uniformly required reduction to practice as a prerequisite to finding an invention that could be placed "on sale," although there was some disagreement over what a "sale" required *in addition to reduction to practice*. Thus, while some early courts also required sales of product "on hand" (*i.e.*, in stock and ready for delivery), others found offers to sell an invention reduced to practice sufficient.[22] Although later cases began to reject the "on hand" requirement as too narrow or to distinguish the "on hand" cases on their facts, the regional circuit courts consistently continued to treat reduction to practice as a prerequisite to the invocation of the on-sale bar. *See* Opening Brief at 23-24 & nn.27-28.[23]

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[22] *Compare McCreery Eng'g. Co. v. Massachusetts Fan Co.*, 195 F. 498, 502-03 (1st Cir. 1912) and *Burke Elec. Co. v. Independent Pneumatic Tool Co.*, 234 F. 93 (2d Cir. 1916), *with Wende v. Horine*, 225 F. 501, 505 (7th Cir. 1915). *See also Landry, supra* note 20, at 1182.

[23] Well misreads both *Jamesbury Corp. v. Worcester Valve Co.* 443 F.2d 205 (1st Cir. 1971) and *Red Cross Mfg. Corp. v. Toro Sales Co.*, 525 F.2d 1135 (7th Cir. 1975). *Jamesbury*, a diversity case applying Massachusetts law, merely held that an ex-employee had not "made" his invention while employed. 443 F.2d at 213. In *Red Cross Mfg. Corp.*, the Seventh Circuit reversed a summary judgment of invalidity based on the on-sale bar. There was no controversy that the prior art device in question had been actually reduced to practice prior to the critical date. The district court granted summary judgment solely on the basis of Section 102(b). The appellate court, however, found disputed issues as to whether that device was sufficiently similar to the patent claims, *i.e.* whether what was sold was an "essentially completed" invention. The Seventh Circuit thus used the phrase "essentially completed" to explain how to compare the patent claims against a prior art prototype. *Id.* at 1141-1143. Additionally, both of these cases come from circuits that thereafter confirmed actual reduction to practice as a condition precedent to the on-sale grace period, as did other circuits. *See* Opening Brief at 23 n.27.

Wells likewise seeks to distort the legislative history of the Patent Act of 1939.[24] First, it dismisses the House and Senate Reports as the work of "legislative staff." Wells then complains that Mr. Pfaff improperly "assumes" that "fully completed," as used in the House and Senate Reports, means "actually reduced to practice." *See* Respondent's Brief at 31. Mr. Pfaff, however, "assumed" nothing, nor was any "assumption" necessary in view of this Court's prior pronouncements and other authorities. Opening Brief at 14-15, 19 & nn.12, 14, 15. Moreover, the published regulations of the United States Patent & Trademark Office, to this day, define a "complete" invention in terms of a reduction to practice, actual or constructive. 37 C.F.R. § 1.131(a)(1), (b).

Wells also parses two sentences of the legislative history and argues that the "fully completed" language of the first sentence cannot refer to an actual reduction to practice, because, otherwise, a printed publication could not be a statutory bar in the absence of actual reduction to practice. This argument ignores the context of both time and language. The first sentence recognizes that after an invention is "fully completed," it may be "made known to the public" for the grace period. This sentence makes sense once Congress is credited with the knowledge that extant case law required actual reduction to practice before either public use or on-sale activity could commence, and that actual reduction to practice was not a predicate to a "patented" or "printed publication" prior art bar. The second sentence then recognizes that certain public activities may take place for the length of the grace period, two of which ("sold" and "widely used"), as phrased, contemplate an invention that actually exists in physical form. It also correctly explains that an invention may be "described in print" for a period of up to two years and then an application filed. That statement is not coupled (by accepted meaning or otherwise) to any other action (such as completion) and in

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[24] Ch. 440, § 1, 53 Stat. 1212 (1939) (repealed); H.R. Rep. No. 961, 76th Cong., 1st Sess. 1 (1939); S. Rep. No. 876, 76th Cong., 1st Sess. 1 (1939).

no way ties actual reduction to practice to the use of a printed publication as a statutory bar.

V. THE POLICY BASES ACTUALLY UNDERLYING THE ON-SALE BAR ARE SERVED BY THE REQUIREMENT THAT AN INVENTION BE REDUCED TO PRACTICE BEFORE THE ONE-YEAR GRACE PERIOD CAN BEGIN TO RUN.

Mr. Pfaff has demonstrated that, in adopting the grace period to the Section 102(b) on-sale bar and its triggering mechanism of completion (*i.e.*, actual reduction to practice), Congress effected a balance between various policies underlying the patent laws. Opening Brief at 28-30. One clearly articulated goal of Congress was to provide *inventors* with a universally understood, easily applied, and predictable bright-line test by which to measure the time which they have to file patent applications. *Andrews v. Hovey*, 123 U.S. 267, 274 (1887); *see also* Opening Brief at 29. The paramount policies actually expressed by Congress and recognized by this Court are (1) to give inventors an opportunity to determine the saleability of their inventions and to decide whether or not to file patent applications; (2) to give inventors this opportunity for a limited time, but one that would be certain; and (3) to limit the period of potential detrimental reliance by the public. *See* Opening Brief at 28-35.

One obvious benefit of the "reduction to practice" requirement adopted by Congress is that it allows inventors to measure and use the entire one-year grace period without substantial risk of inadvertent forfeiture of valuable property rights. Requiring the bright line of "reduction to practice" before the on-sale grace period can begin to run is thus in keeping with the long-standing tenets of statutory construction and policy that forfeitures are not favored and that laws creating them are strictly construed. *See, e.g. Farmers &*

Mechanics National Bank v. Dearing, 91 U.S. 29, 35 (1875); *Knowlton v. Moore*, 178 U.S. 41, 77 (1900).[25]

Another consideration actually reflected in the legislative history, but virtually ignored by Wells and its amici, is that inventors should be afforded a sufficient period of time (defined as one year) in which to ascertain whether their inventions show sufficient commercial success to warrant the expense of filing a patent application and lifting the veil of secrecy from the inventions. Opening Brief at 28-30. The essence of this policy is to allow inventors the opportunity to earn actual revenue from sales for up to one year after they have an "invention," so that they can make an informed decision about whether or not to file a patent application. Section 102(b) defines the triggering activity for the grace period as placing an invention "on sale," not "marketing" or "promoting" an idea or any other form of "commercialization." Fulfilling the purpose of the statute necessitates that an inventor have a fair opportunity to see how successfully a product actually sells during the one-year grace period.[26]

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[25] The arguments that actual reduction to practice is not a bright-line test are makeweight and ignore the practical implementation of that test. An inventor can easily ascertain when a working embodiment was first physically made. For purposes of a predictable, bright-line test, the actual creation of a machine, composition of matter, or manufacture does provide an easily identified event that inventors can use as a bright line. *See* AIPLA Brief at 8-9; Mueller, *supra* note 9, at 319-20.

[26] The legislative history of the Patent Act of 1939 confirms that Congress intended the policy of limiting detrimental reliance to be subordinate to that of allowing inventors the full benefit of the statutory grace period. H.R. Rep. No. 961, 76th Cong., 1st Sess. 1 (1939) (inventor or others may describe, use, or sell invention during the grace period "even when the public may have come to believe that the invention is open to anyone"). *See* Landry, *supra* note 20, at 1182-83 (discussing legislative history of the 1939 Act).

In a thoughtful review of the policy considerations that have been connected to the on-sale bar, Circuit Judge Easterbrook (sitting in the district court by designation) observed the following:

> One more purpose of patent law requires consideration: *the dominant purpose of them all,* the purpose of *encouraging innovation by rewarding it.* Advances in technology are not born market-ready. While ideas are being translated from the drawing board to production, manufacturers will consult with their customers in order to find out which lines of development will be most useful. They will make samples and prototypes, many such endeavors can be characterized as offers or sales . . . . But reading "on sale" to cover these exploratory discussions or transactions would either reduce the incentive to invent (by increasing the risk that persons who make valuable discoveries will not obtain valid patents) or discourage inventors from engaging in the very discussions with customers that may increase the commercial and hence social value of their work. Neither outcome is desirable.

In re Mahukar Double Lumen Patent Litigation, 831 F. Supp. 1354, 1370 (N.D. Ill. 1993), *aff'd,* 71 F.3d 1573 (Fed. Cir. 1993) (emphasis added).[27] *See also* Opening Brief at 28-29.

The Federal Circuit has taken it upon itself to divine new considerations and rebalance the policy scales set by Congress. Opening Brief at 30-35. Not only has the appellate court ignored the plain meaning and purpose of the statute and decades of case law, it has elevated its own view of public policy over that of Congress. In seeking affirmance of the decision below, Wells and its amici necessarily advocate the perpetuation of this error.

Against the clearly stated Congressional policy of certainty and predictability, Wells and several of the amici offer arguments based on considerations not, in fact, evident in the

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[27] Respondent cites a preceding portion of Judge Easterbrook's opinion. *See* Respondent's Brief at 26 n.10 (quoting, *Mahurkar,* 831 F. Supp. at 1369).

statute, its legislative history, or the pronouncements of this Court.[28] Echoing recent Federal Circuit jurisprudence, they improperly elevate the act of "commercialization" to the status of a statutory triggering event. One amicus even suggests that, if an offer to sell embodies something later made and sought to be patented, that offer, with nothing more, should start the one-year grace period. U.S. Brief at 21. The adoption of such a standard, however, would repudiate Congressional understanding that, after its "completion," an "invention" may be "sold" during the entire length of the statutory grace period. Opening Brief at 20-21. It also would have a chilling effect on inventors and adversely impact the public by postponing the time when new products become available to the public.[29]

Wells and its amici also suggest hypothetical loopholes through which, they contend, a clever inventor (or patent attorney) might slip and, thus, secure additional time (beyond the grace period) to "commercialize" an invention before actually reducing it to practice. Yet, despite the decades during which the reduction to practice rule was applied by the courts, neither Wells nor any amici has identified even a

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[28] As noted in Mr. Pfaff's Opening Brief, the four "policies" the Federal Circuit had identified as underlying the on-sale bar (predictably invoked by Wells and its amici) have enjoyed an over-elevated, and somewhat unbalanced, stature in the appellate court's on-sale jurisprudence. Opening Brief at 30 n.35; *see also Landry, supra* note 20, at 1163-1175 (discussing evolution of the four policies and critiquing their use in the "deconstruction" of the on-sale bar).

[29] If "reduction to practice" is required to trigger the grace period to the on-sale bar, an inventor is less likely to be inhibited in engaging in the preparatory activities necessary to bringing a new product to market. Thus, by the time the invention is complete, the framework for bringing his invention to the public in the form of a finished product will already be underway, if not in place. Absent the "reduction to practice" requirement, however, the prudent inventor, fearful of forfeiting patent rights, is more likely to delay such activities until after development is complete, thus inevitably delaying the time when his product will reach the market (and the public).

single case in which an inventor had deliberately postponed *reducing an invention to practice* (and, thus, delivery of his product) to extend the period of exclusivity. In fact, the various hypotheticals posited by Wells and the amici are not situations likely to be encountered in the real world.[30] Both real world business considerations and the requirements of Section 102(c) and 102(g) offer sufficient countervailing pressures and incentives toward diligent reduction to practice and timely applications for patent.[31]

The selective omissions exercised by Wells and several of the amici in reciting authorities allegedly reflecting applicable policy considerations are also noteworthy. For example, while the Federal Circuit has frequently condemned "commercialization" outside the grace period, it has not done so in any consistent fashion. Inventors are allowed to commercialize their inventions by assigning (actually selling) them to others, without triggering the on-sale bar. *See Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1267 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 1030 (1987). Even a commercially motivated "sham sale" has been found not to implicate the on-sale bar. *Mahurkar*, 831 F. Supp. at 1370.[32] There simply is no rational justification under the language of the statute for determining that the on-sale bar is violated, on the

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[30] *See* AIPLA Brief at 9-11; Brief of Amicus Curiae Federal Circuit Bar Association in Support of Petitioner at 6-8; *see also* Mueller, *supra* note 9, at 319-20; Landry, *supra* note 20, at 1174, 1179-80.

[31] *See* Mueller, *supra* note 9, at 319; Landry, *supra* note 20, at 1174, 1179-80. Mr. Pfaff does not concede (despite the Government's statement to the contrary, U.S. Brief at 20) that his construction gives rise to any palpable risk that inventors will be able to extend their period of exclusivity in violation of the letter or intent of the patent laws.

[32] In *Mahurkar*, Judge Easterbrook (later affirmed by the Federal Circuit) found that a sham sale of two prototypes (which the court found not market ready, but nevertheless to be a reduction to practice of the invention) did not invoke the bar. The "sale" was made by the licensee of the inventor, for the purpose of holding on to his future rights to make and market the invention under a license agreement (which required sales by a certain date). 831 F. Supp. at 1366-68, 1370.

one hand, by an individual who obtains a conditional purchase order (but no money), while, on the other hand, determining that the bar is not violated by an assignment of the invention itself or a commercially motivated sham sale.

Similarly, it cannot be the case that Congress intended the start of the on-sale grace period to depend on whether an inventor was an optimist or a pessimist.[33] An inventor who contracts to sell an invention, but is unable to complete and deliver that invention in a timely fashion, may be liable for breach of contract. That, however, is the extent to which the overly optimistic inventor should be punished. Otherwise, the likely result is to limit early dissemination of patentable inventions to the public. Inventors will be fearful of entering into distribution or sales agreements until development reaches the stage that a commercially viable invention exists. This is inimical to encouraging early introduction of new inventions and hardly an effective way to promote the progress of science and useful arts.[34] Yet it is exactly the result sought by at least some of the amici and, perhaps, Wells.

VI. CONCLUSION

As fully demonstrated in Petitioner's Opening Brief, the intent and purpose of the statutory grace period to the on-sale bar have remained virtually unchanged since its adoption in

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[33] As one commentator has recognized, subjective tests using inventor confidence as a factor are hindsight-oriented and unreliable. During development, inventors are frequently optimistic about their ability to succeed, otherwise they would have little incentive to continue trying to bring their ideas to fruition (*i.e.*, to reduce them to practice). Landry, *supra* note 20, at 1185 & n.180. Nevertheless, as this commentator suggests, under the Federal Circuit's "totality of the circumstances" approach to the on-sale bar, "[i]nventors are well-advised, where these proposals hold sway, to appear pathetically insecure about their prospects for success until the day of reduction to practice." *Id.*

[34] *See* the discussion *supra* at 16; *see also* Landry, *supra* note 20, at 1172 (also discussing how the *UMC Electronics* totality of the circumstances approach may force premature entry into the patent system).

1839. Congress enacted a universally understood, easily applied, and predictable bright line test so inventors could avail themselves of the entire grace period granted by Congress, without serious risk of forfeiting potentially valuable rights. The Federal Circuit, with its rejection of the reduction to practice requirement and its adoption of a "substantially complete" test based on the "totality of the circumstances," has abandoned congressionally mandated certainty in favor of unpredictable judicial discretion. This choice is unsupported by the language of the statute, its legislative history, prior judicial interpretation that (at the least) consistently required reduction to practice, and any sound application of the rules of statutory construction. For the foregoing reasons and those set forth in Petitioner's Opening Brief, the Federal Circuit's decision should be reversed in its entirety.

Respectfully submitted,

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